

Message Text

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ACTION EA-12

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E.O. 11652: NA
TAGS: ENRG, ID
SUBJECT: PERTAMINA FORECAST OF INDONESIAN CRUDE OIL PRODUCTION IN
REPELITA III

1. THE FOLLOWING ARE INDONESIAN CRUDE OIL PRODUCTION FORECASTS
THAT PERTAMINA INTENDS TO SUBMIT FOR INCLUSION IN REPELITA III.
THESE FORECASTS ASSUME PRODUCTION WILL NOT BE CONSTRAINED BY
MARKETING DIFFICULTIES. THESE FORECASTS SHOULD BE REGARDED AS
TENTATIVE, NOT DEFINITIVE FORECASTS. THEY WILL BE REVIEWED
OFTEN AS NEW DEVELOPMENTS OCCUR IN THE YEARS AHEAD.

1979 1.68 MILLION BARRELS A DAY
1980 1.62 MILLION BARRELS A DAY
1981 1.7 MILLION BARRELS A DAY
1982 1.78 MILLION BARRELS A DAY
1983 1.85 MILLION BARRELS A DAY

2. THE DIP IN PRODUCTION IN 1979/80 REFLECTS PERTAMINA
ANALYSIS OF THE EFFECTS OF THE VERY LOW LEVELS OF EXPLORA-
TION IN 1975-77. THE GRADUAL RISE IN PRODUCTION 1981-83
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IS BASED ON ASSUMPTION THAT CURRENT UPSWING IN EXPLORATION
WILL BE SUSTAINED AND THAT EXPLORATORY DRILLING SUCCESS
RATIO AND FINDING COSTS OF NEW OIL WILL FOLLOW HISTORICAL
PATTERNS.

3. EMBASSY BELIEVES THESE FIGURES ARE CONSERVATIVE ASSUMING
NO MARKETING CONSTRAINT ON EXPORTS OR DISINCENTIVE TO EX-

PLORATION AND DEVELOPMENT FROM EXCESS SUPPLY RELATIVE TO DEMAND IN WORLD OIL MARKETS. IN PARTICULAR, THERE ARE SOME ENCOURAGING EXPLORATORY AND DEVELOPMENT EFFORTS UNDER WAY THAT SUGGEST INDONESIA'S PRODUCTIVE CAPACITY MAY NOT DIP SO STRONGLY IN 1979/80. BEYOND 1980 HOWEVER, PRODUCTION FORECASTS MUST BE REAGRDED WITH CONSIDERABLE CAUTION SINCE THEY DEPEND ON DECISIONS AND EVENTS NOT YET IN PROCESS. ERTA-MINA FORECASTS 1981-83 SHOULD BE TAKEN AS INDICATIVE OF A GENERALLY OPTIMISTIC OUTLOOK BASED ON PRESENT ACTIVITY AND CERTAIN GEOLGICAL ASSUMPTIONS.

4. AS WASHINGTON IS AWARE,THE ASSUMPTION CONCERNING NO MARKETING CONSTRAINT APPEARS UNREALISTIC GIVEN EXISTING DIFFICULTIES THAT HAVE REDUCED INDONESIA'S PETROLEUM PRODUCTION FROM 1.7 MILLION BARRELS A DAY IN MAY TO ABOUT 1.4 MILLION BARRELS A DAY IN THE FIRST TWO WEEK OF JULY. ACTUAL PRODUCTION FIGURES, EXPORTS, FOREIGN EXCHANGE EARNINGS AND TAX REVENUES IN 1978 AND 1979 MAY BE CRITICALLY INFLUENCED BY MARKET FACTORS. ALSO, IN ASSESSING INDONESIA'S FOREIGN EXCHANGE EARNINGS AND TAX TAKE FROM OIL PRODUCTION IN THE MID 1980'S, WASHINGTON SHOULD BE AWARE THAT RAPIDLY GROWING DOMESTIC CONSUMPTION OF OIL COULD REDUCE EXPORTS, AND HIGHER COST PRODUCTION FROM NEW FIELDS COULD REDUCE GOI TAKE FROM NEW OIL PRODUCTION.
GARDNER

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